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Additional deduction for
minimum wages



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Additional deduction for minimum wages

The Income Tax (Deduction for Expenditure in relation to Minimum Wages) Rules 2014, gazetted on 14 July 2014 provides additional deduction for the minimum wages paid by a qualifying person to his employees in the period 1 January 2014 to 31 December 2014.

The additional deduction is given for the difference between the minimum wages paid in January 2014 and the wages paid in December 2013 to the employee. The deduction is given in addition to the deduction under section 33(1) under the Income Tax Act 1967 .

The employee has to be a full time employee whose contract of services commenced before 1 January 2014 and continues through to 31 December 2014 and whose wages received prior to 1 January 2014 is less than the minimum wages.

The qualifying person eligible for the additional deduction is:

- 1) A resident small and medium enterprise (“SME”) in the manufacturing sector which has:
 - a) not more than two hundred full-time employees, or
 - b) achieved annual sales of not more than RM50 million
- 2) A resident SME in the services and other sectors which has:
 - a) not more than seventy five full-time employees, or
 - b) achieved annual sales of not more than RM20 million ringgit
- 3) A resident co-operative society established under the Co-operative Societies Act 1993, or
- 4) A resident society established under the Societies Act 1966.

Let's talk

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